

NSP 2 APPLICATION

Factor 1: Need/Extent of the Problem

a. Targeted Geography

(1) NSP2 Index Score

Reading will carry out the NSP2 program in five census tracts which comprise its target area. These tracts and scores as provided in the HUD database are as follows:

Census Tract	Foreclosure Score	Vacancy Score	Max Score
0010	13	18	18
0011	14	18	18
0012	15	18	18
0013	15	19	19
0018	12	17	17

When the max scores of these tracts are added and averaged, a targeted area score of 18 results. This score meets the threshold requirement as contained in II.B.8 of the NSP2 regulations. The spreadsheet on the next page has been downloaded from the NSP Foreclosure Need Data website and includes data for these five census tracts which comprise the targeted area.

(2) Other Conditions Contributing To Decline

The NSP2 targeted geography is experiencing the nature and extent of need found throughout much of Reading. It is this need that led to the creation of Our City Reading and the cooperative program with the City of Reading and the Reading Housing Authority. The specific details as to the capacity and accomplishments of this program are presented in greater detail in response to Rating Factor 2. The map entitled *Past Performance* shows the distribution of the dwelling units acquired, rehabilitated and sold to low- and moderate-income households. While this program has been very successful, the need both to rehabilitate substandard, vacant and abandoned dwelling units as well as to provide affordable housing has proven to be greater than available resources.

The needs that continue to contribute to the decline of neighborhoods in Reading inclusive of the targeted area can be attributed to the following:

Employment and Income

While the NSP2 data shows unemployment in Berks County within which Reading is located at 5%, recent statistics show a dramatic increase. The Bureau of Labor Statistics (BLS) reports an increase in the unemployment rate for Berks County to 8.4% and from 4.8% between April 2008 and April 2009. For Reading itself, the BLS reported the April 2009 unemployment rate at 17.1% and increase from 8.9% in April 2008. This continues the pattern of Reading's unemployment rate being twice that of Berks County overall.

The high unemployment rate combined with low educational attainment (only 61.6% of Reading's population has a high school diploma) results in low income levels. The American

Community Survey reported that the median annual income for a family of four in Reading was \$21,203 in 2007. In addition, 31.5% of Reading's households had incomes

City of Reading, PA - NSP2 Targeted Census Tracts

us_tracts	NFORECLOSE	INVACANCY	FORDO_NUM	FORDO_RATE	VAC_RATE	NUM_MORT_T	PCT_LCHL	PCT_HCHL	PCT_HCHL	C
000	13	18	44	12.000%	8.000%	368	1.000%	36.000%	2.000%	
000	14	18	53	13.000%	7.000%	423	1.000%	38.000%	2.000%	
000	15	18	24	13.000%	7.000%	181	0.000%	39.000%	3.000%	
000	15	19	32	14.000%	9.000%	229	4.000%	44.000%	3.000%	
000	12	17	42	11.000%	7.000%	373	4.000%	32.000%	3.000%	

below the poverty level. This makes Reading the most impoverished city in Pennsylvania with a population over 65,000.

Credit

The low income and high unemployment rates for households in Reading inclusive of the targeted geography often result in credit problems. These credit problems present barriers to the purchase of housing as well as the loss of housing as a result of foreclosure. Our City Reading has an extensive track record addressing credit problems in its program. Since the inception of its program, 3,800 applications to purchase a home have been processed. Within the total number of applications processed, approximately 80% of the applicants had credit issues that needed to be addressed. Despite counseling and attempts to resolve credit issues by Our City Reading staff, approximately 65% of the applicants have been rejected for the purchase of a home due to credit issues.

Housing Market

The housing market in Reading inclusive of the targeted geography is characterized by densely developed older housing stock in need of substantial repair and investment. In the five census tracts which comprise the targeted geography, owner housing units built before 1939 ranged from 61% to 88%. This combination of deteriorated and older housing results in a lower priced housing market which has attracted lower income households from outside the market area. Much of this in-migration has been comprised of Latinos. The Kutztown University Latino Business Resource Center reports that the U.S. Census Bureau estimates that in 2006 the Latino population was 42,204 or 51% of the Reading population. This in-migration can be attributed to the affordability of Reading as compared to the New York Metropolitan area from which many Latino households are migrating. A recent housing study commissioned by the City estimates the average selling price of a home at \$54,746 a 15% decline from 2008. There are a substantial number of houses on the market. Zillow.com lists 2,605 units as presently on the market. In terms of foreclosures, Zillow.com estimates an increase of 18.9% on a year to year basis between 2008 and 2009.

b. Market Conditions and Demand Factor

(1) Extent To Which The Market Will Absorb Abandoned and Foreclosed Properties Through Increased Demand

As discussed above with over 2,000 housing units currently on the market for sale and the rate of foreclosure increasing, it is not anticipated that the market will absorb abandoned and foreclosed properties in the targeted geography. It is estimated by Zillow.com that 25% of the sales in the first quarter of 2009 were foreclosure re-sales. However, these properties were not the abandoned and vacant properties which have the major destabilizing impact on neighborhoods in Reading including the targeted geography. In many cases, the properties have been vacant for a number of months if not years and are severely deteriorated. These are the properties which Our City Reading has been purchasing and rehabilitating under its program and will be the target of the NSP2 program. These properties are often not listed in foreclosure databases nor included in multiple listing services, Zillow.com or similar sources. In order to establish a reasonable estimate of the number of abandoned and vacant as well as foreclosed properties in the targeted geography, various approaches were used. The Foreclosures.com database was consulted for a list of REO properties within the targeted geography. This resulted in a total of 114 properties listed in the targeted geography. The general distribution of these properties is shown on the map entitled *REO Listed Foreclosures*.

In order to gather information as to the current extent of vacant and abandoned properties in the targeted geography, a field survey was undertaken. This survey resulted in a count of 238 vacant abandoned properties. The general distribution of these properties is shown on the map entitled *Vacant and Abandoned Properties*. As a third source of data on conditions in the targeted geography, the U.S. Postal Service information for the First Quarter of 2009 was reviewed. The USPS estimate is 434 vacant units of which 230 are listed as vacant longer than 12 months. It is these 230 units which most likely correspond to the vacant abandoned units identified in the field survey.

Utilizing various sources, an inventory of 240 vacant and abandoned units has been established. The 114 REO units are not included in this total, but provide a reasonable estimate as to the inventory of such units potentially available to be addressed under the NSP2 program in the targeted geography.

Based upon Our City Reading's experience, the market will not absorb these properties without a substantial subsidy such as will be available under the NSP2 program. As discussed earlier, Reading is experiencing increasing levels of unemployment as well as an in-migration of lower income households from outside the region in search of affordable housing. This in-migration has resulted in the occupancy of deteriorated housing, but has not produced new housing production. The incomes of the new arrivals cannot support private investment in the production of housing. Our City

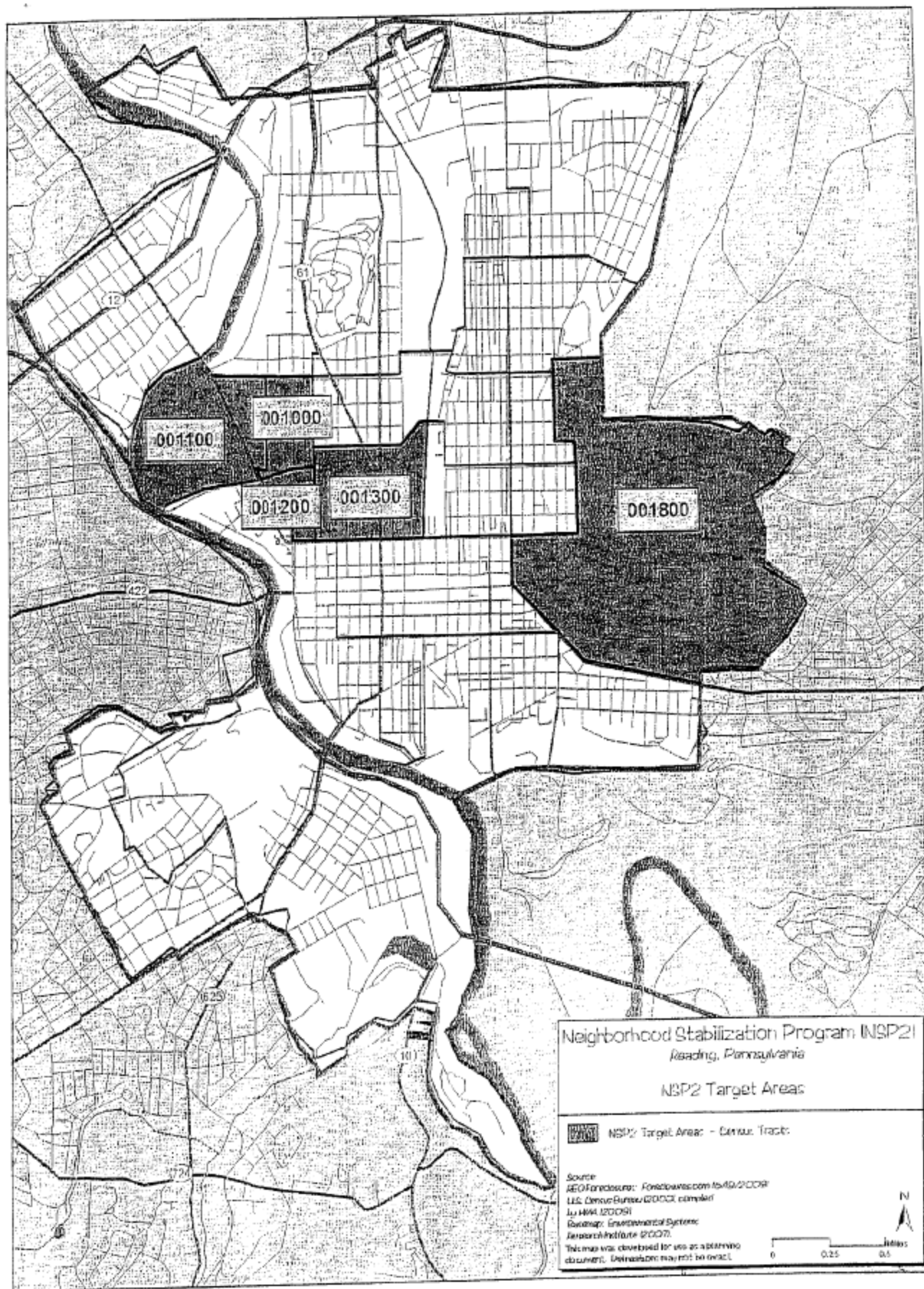
Reading, with its deep subsidy program averaging \$22,500.00 per unit has been the primary producer of affordable, decent housing in Reading neighborhoods inclusive of the targeted geography.

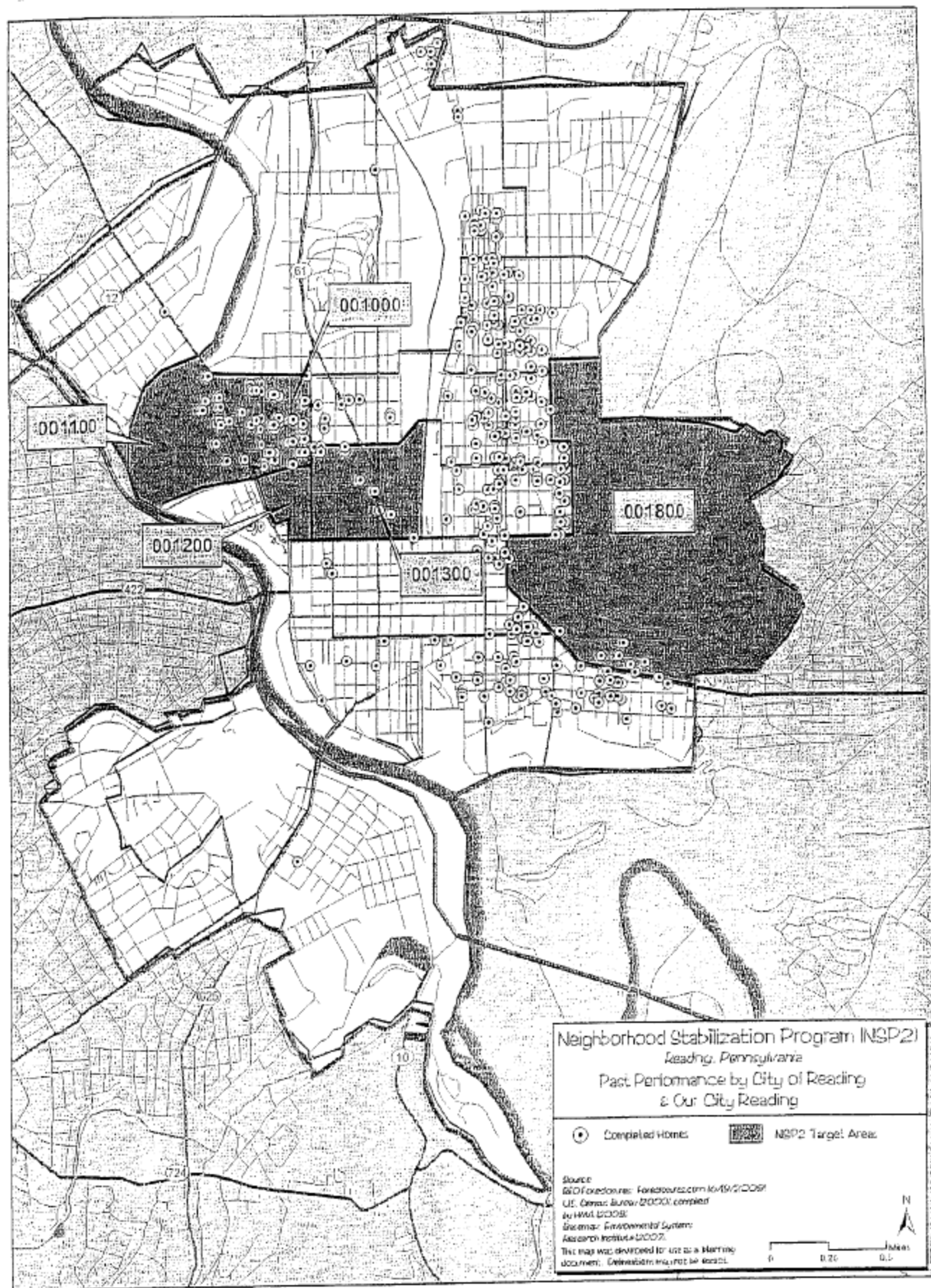
(2) What Is The Most Critical Factor Causing Abandonment and Foreclosure

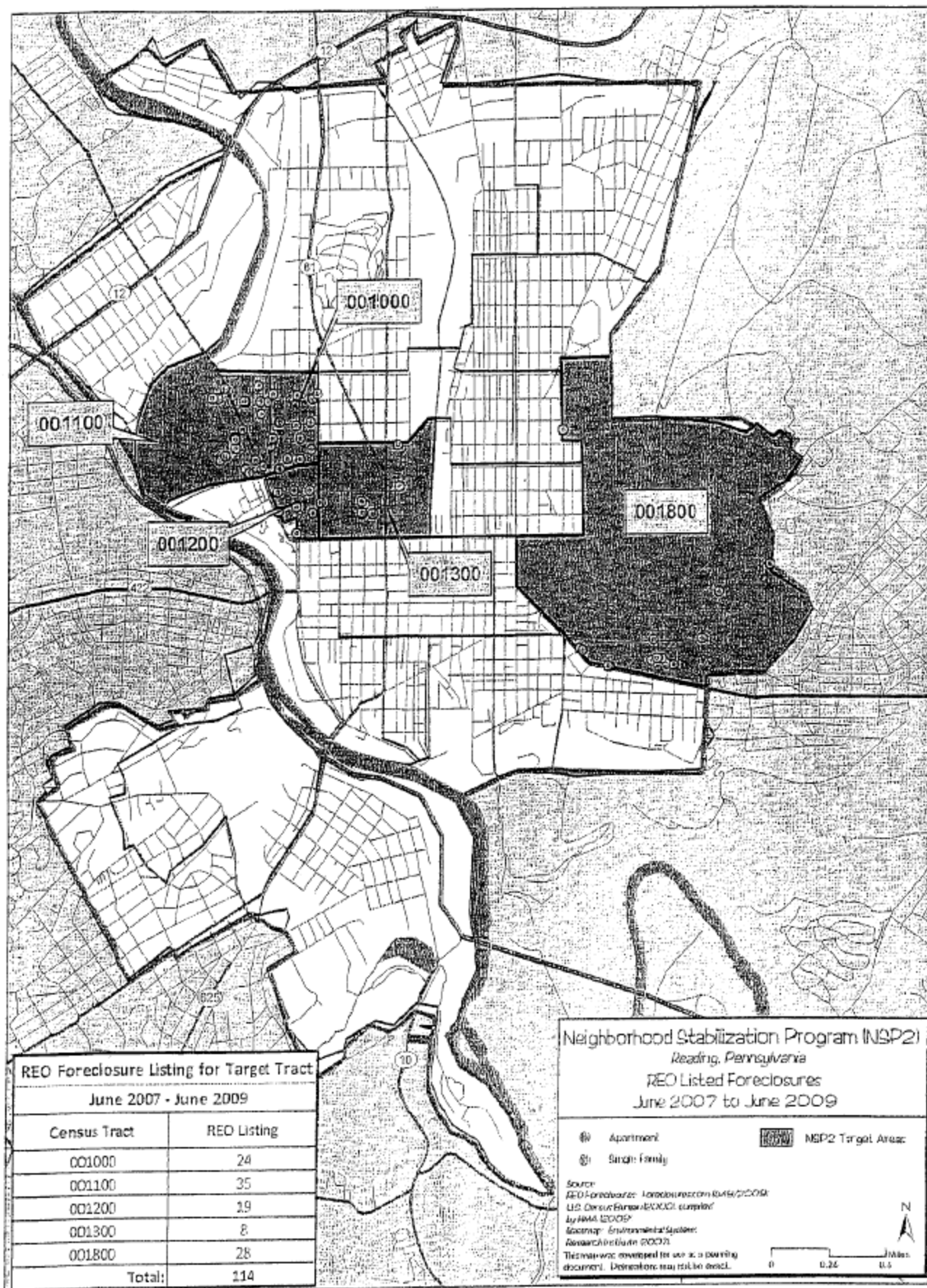
The one critical factor causing abandonment and foreclosure in Reading inclusive of the targeted geography is the gap between income and the costs of decent housing. As described above, this gap can be attributed to the low income levels which are being exacerbated by an in-migration of primarily Latino households with low incomes and minimal job skills. At the same time, households with higher incomes have been moving out of the city into the surrounding country. There has been no over-building or over-valuation of housing in Reading causing abandonment or foreclosure. When one looks at housing production in Reading, the only real production has been the Our City reading program which has put 393 previously vacant, substandard units back into the inventory. This has been done through a program which provides subsidies to meet this gap. The 18.9% year over year increase in the foreclosure rate in Reading between 2008 and 2009 occurring during the same time period as the unemployment rate in Reading increased from 8.9% to 17.1% shows the relationship between employment and the ability to afford decent housing.

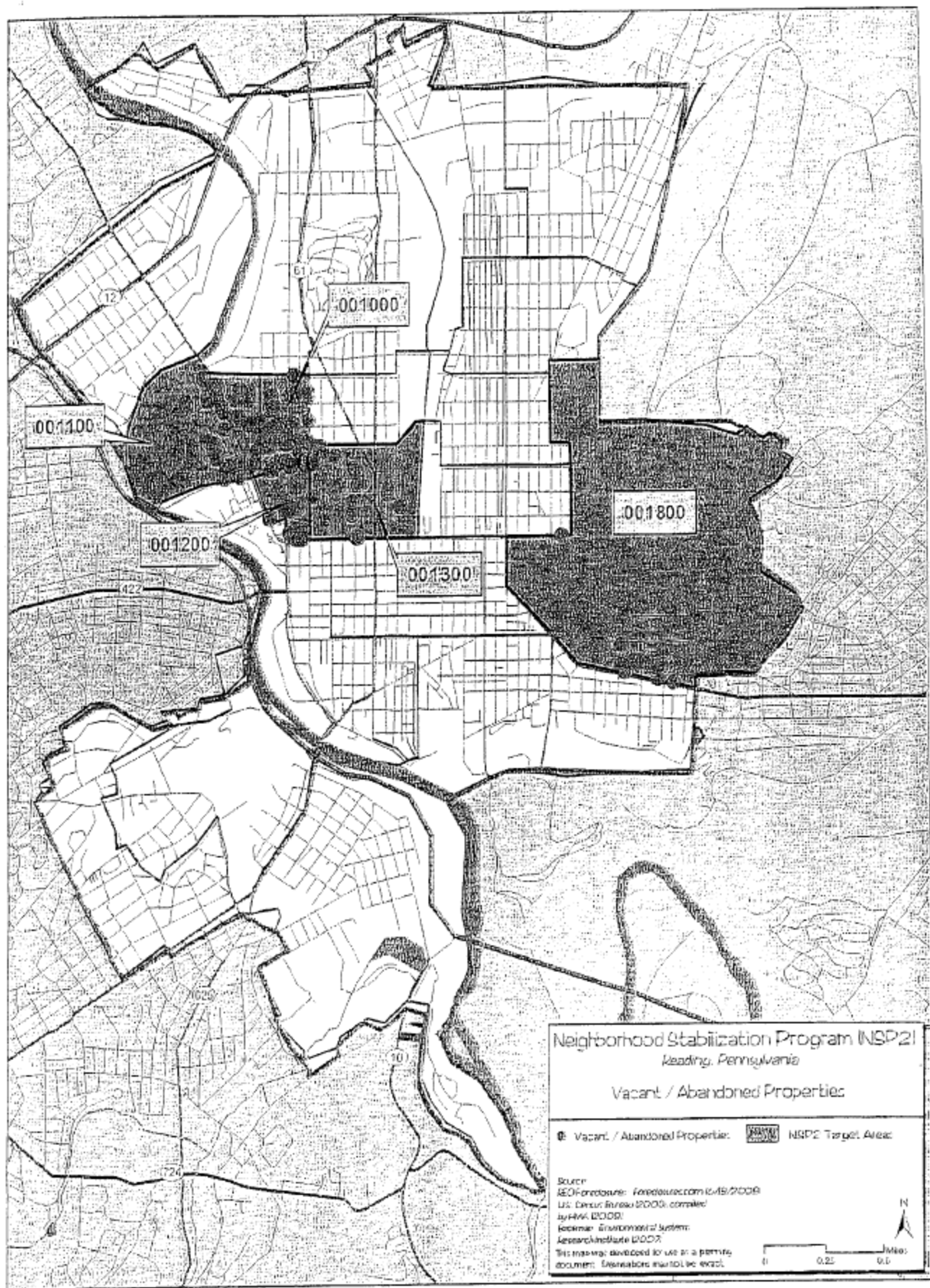
(3) Income Characteristics of Households In The Targeted Geography

The income characteristics of households in the NSP2 targeted geography are consistent with the lower income profile of the city. Incomes in the area reflect the experience of Our City Reading in its program to date. Based on the most recent 500 applicants to the program, the average family income has been \$ 28,339.00.









RATING FACTOR 2 B - MANAGEMENT STRUCTURE

1. DESCRIPTION OF MANAGEMENT STRUCTURE

The three members of the Consortium have worked together on neighborhood stability and dealing with foreclosed homes. These historic roles under NSP2 will continue as follows:

1. The Department of Community Development has and will continue to carry out the following functions under NSP2:
 - a. Provides all compliance functions including Davis Bacon, Section 3, documenting low and moderate income compliance, lead based compliance, inspections of all work completed, environmental compliance and all other HUD Regulations, such as Procurement and sub-grantee compliance. Under NSP2, as it has under the CDBG and Home Program assure affordability guidelines are followed both in initial sale and during the course of ownership.
 - b. Through its Community Development Office the Rehab Specialist will continue to work with the Director of Construction for Our City Reading (Vetted HUD inspector for ACA program) and will assist in preparing detailed write-ups for the work to be carried out to meet all Building Code Requirements, including Energy Efficiency and Handicapped Access.
 - c. The Building and Trades Department will continue to perform all inspection and Code related services to assure that the write-ups are being complied with, and current codes are being met. This department will also be responsible for issuing the certificate of occupancy for the unit.
 - d. Financial Management- under NSP2 will continue its financial management role in all Federal funds including fiscal management, internal audit requirements, draw downs and auditing functions.
 2. Our City Reading will carry out its historical functions under NSP2 for all renovation work.
 - a. Acquisition of properties including securing appraisals, and negotiating for the properties. They will continue their historical role with the Federal Housing Administration, the taxing authorities and the banks in securing foreclosed to be renovated and sold to families of low and moderate families
-

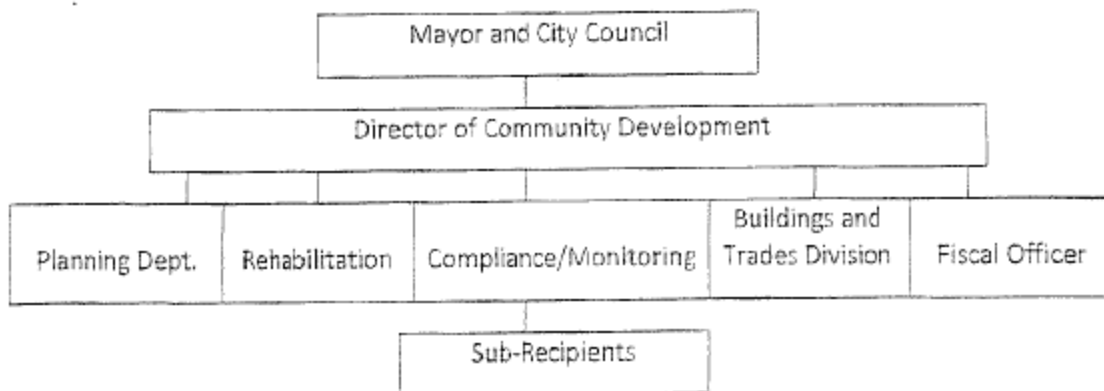
- b. Its Director of Construction will be responsible for preparing all write ups, bidding activities, negotiations with contractors, lead based paint regulations, and with the Consortium share construction oversight responsibilities.
 - c. Will continue to assist with all inspection services to assure that the write-ups are being complied with and the work is being carried out in a workmanlike manner.
 - d. These write-up and bid documents are provided and under NSP2 will continue to be prepared by Our City Reading and provided for any renovations activities to be carried out by the Reading Housing Authority
 - e. Under NSP2 its mortgage department will continue to process all applications, secure bank financing, handle the closings and co-ordinate home ownership counseling and neighborhood stability tasks such as Meet the Neighbors Program, previously described.
 - f. Its finance Department will continue, under NSP2, as it has under previous Federal Programs to supply the necessary financial documentation.
 - g. It will continue to provide the City with all necessary compliance documents.
3. The Reading Housing Authority
- a. Will have primary responsibility for the substantial renovation of 31 units for families at or below 50% of median income.
 - b. Its construction department will select the architect; coordinate all environmental functions and building permit and inspections with the Department of Community Development. It will bid out all the work in compliance with HUD Requirements.
 - c. Its compliance Department will work closely with the Community Development to assure compliance with Davis Bacon and all other HUD requirements.
 - d. It will manage the selection criteria for rentals, and working with the Department of Community Development assure that all affordability Regulations are met.
 - e. It will manage home ownership counseling programs and coordinate neighborhood activities with Our City Reading

The Members of the Consortium will have biweekly sessions to assure coordination of activities as described above and will use the Monthly meetings of Our City Reading and

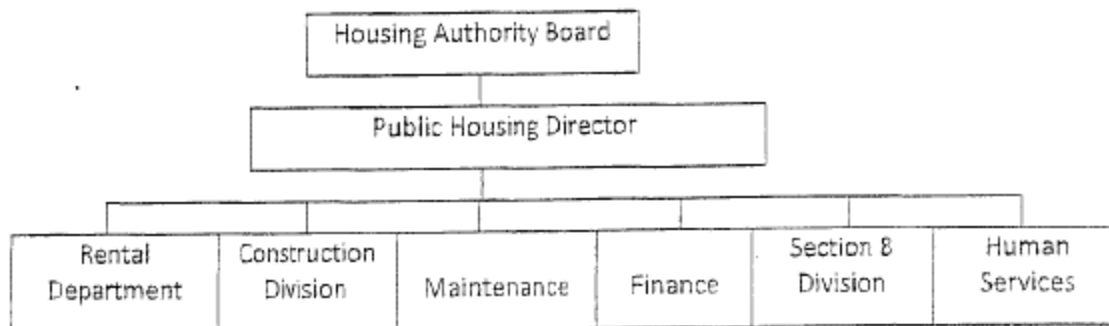
the City Council to inform the public and the governing bodies in the progress of the program. The City of Reading Department of Community Development will appoint Daniel Wright as the Director of the NSP Division who will have daily responsibility of coordination and implementation.

The Organizational Chart of each Organization is as follows:

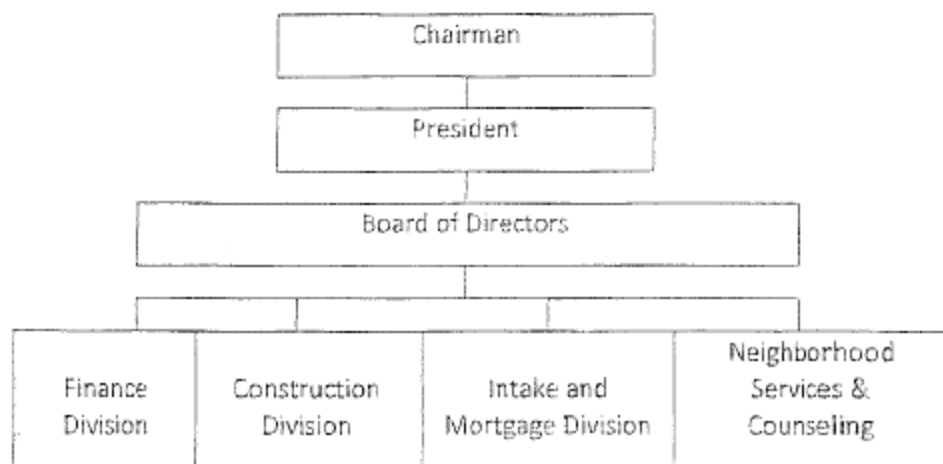
A) City of Reading Department of Community Development



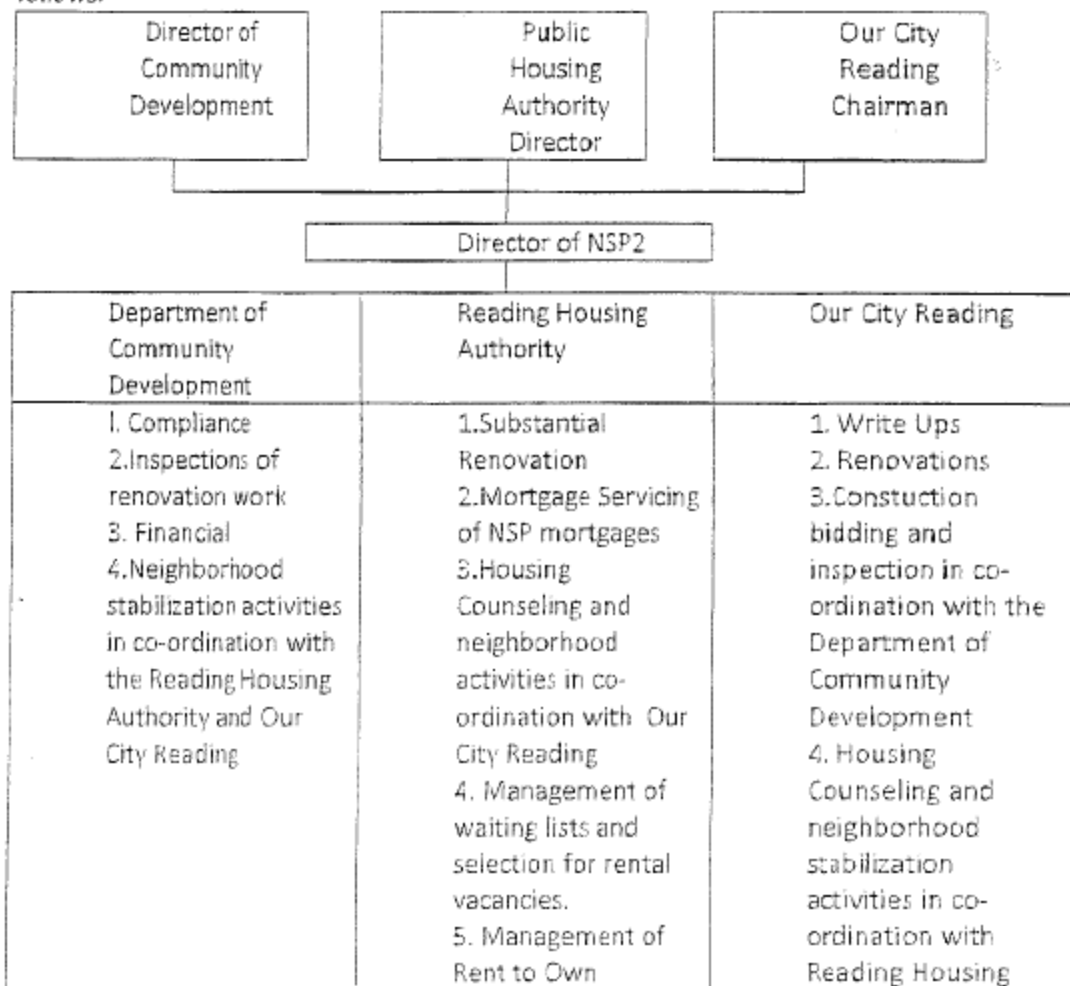
B) Reading Housing Authority



C) Our City Reading



The Organizational Chart for the implementation of the Neighborhood Strategy Area is as follows:



	Program	Authority, and the City of Reading. 5. Mortgage Intake and mortgage applications. 6. Management of Waiting lists and selection for homeownership opportunities
--	---------	--

Please note that in the above organization chart that NSP2 funds will be converted into second mortgages for homeowners. These mortgages will be serviced by the Reading Housing Authority which already has the infrastructure to do so.

RESUMES OF KEY PERSONNEL

1. Daniel Z. Wright will be the co-coordinator of all NSP2 Activities and responsible for daily management of the program. He will report to the Consortium members, and supervise daily activities. Mr. Wright received a Bachelor of Arts from Moravian College and a Masters in Public Administration from Kutztown University. He is currently serving as the Community Development Specialist for the City of Reading Department of Community Development and his prior employment experience was as a Program Coordinator for the Greater Berks Food Bank and several internships including the Center for Rural Pennsylvania, the Finance Director of the City of Reading, and the United States Commission on Civil Right for the Southern Regional Office.

The Other Key Personnel from the other Departments who will be responsible for NSP2 activities are as follows:

A) City of Reading Department of Community Development

1. Marty Mayes - Is the Director of City Department of Community Development for the City of Reading. He holds a Bachelor of Arts in Urban Studies from Rutgers University and a Masters of City and Regional Planning from Rutgers University. Prior to being employed by the City of Reading he was the Director of Planning and Development for the Urban Enterprise Zone in the City of Orange Township, New Jersey, the Affordable Housing Program Manager for the New Jersey Department of Community Affairs and the Athletic Advisor for Academic Support and Learning Center at Livingston College.
2. The Department will be hiring a Director of Compliance for NSP2 Activities who will have the requisite experience and training for this position.

B) Reading Housing Authority

1. Daniel F Luckey - Has been the Executive Director of the Reading Housing Authority since 1991 and oversees the management of 1629 public housing units, 680 Section 8 Vouchers, 128 middle income units and 50 homeownership units. Prior to his employment with the Reading Housing Authority he was employed as a Planner for the Philadelphia Housing Authority, a Housing Management Specialist for the New York Regional Office of the U.S. Department of Housing and Urban Development and was a U.S. Peace Corps volunteer stationed in the Fiji and Cook Islands. He holds a Bachelors of Science Degree from the University of Missouri, St Louis and a Master's of Science in Urban Affairs and Policy Analysis from Southern Illinois University.
2. David C Talarico will be in charge of all new construction activities under the NSP Program. He has been an employee of the Reading Housing Authority since 1983. He currently holds the position of Maintenance Superintendent and is responsible for planning, organizing, directing and coordinating all building maintenance, grounds keeping, heating and utility operations, energy savings programs, new construction project and capital construction projects for each and every unit under management of the Authority. Prior to his current position he held the positions of Maintenance Mechanic, and Building Maintenance Foreman with the Authority.

C) Our City Reading

1. Albert Boscov - Is the Chairman of Boscov's Department Stores, Inc., which he recently repurchased in 2008 after having sold the chain in 2006. He is the Chairman of the Board of Our City Reading and the staff of that organization reports directly to him. Mr. Boscov has personally overseen the development of Boscovs into a Department Store chain of 40 stores with over \$1 billion dollars in volume. Mr. Boscov has philanthropic involvement in all cities in which his stores are located. Having built over 9 million square feet of stores, malls, distribution centers and office buildings, he has extensive experience in construction and finance. He is a graduate of Drexel University and served in the armed forces during the Korean War era.
2. Gareth Donly - Is the Project Manager and Director of Construction for Our City Reading. As a vetted HUD Inspector, he is responsible for coordinating work write-ups with the City, awarding and negotiating construction contracts, co-coordinating inspections and approving all progress payments. Mr. Donly has over 25 years of construction experience of which 7 have been with Our City Reading. He attended Brigham Young University majoring in Construction Management.
3. Carrie Miller - Is the Director of Housing for Our City Reading. She is responsible for acquisition of all homes, with an emphasis on foreclosed and vacant homes, the sale of

renovated homes, working directly with potential buyers and their lenders to ensure that they obtain their financing, neighborhood stabilization activities including Meet Your Neighbor Affairs and supervised compliance activities. Prior to joining Our City Reading she was an Assistant Vice President with the Mortgage Division of Main Street Bank. She has been employed by Our City Reading for 7 years.

II. REFERENCES.

1. The following references are being offered of persons who are familiar with activities of the Organizations.

A) Richard Ehst, Regional President

Sovereign Bank

P.O. Box 12646

Reading, Pa. 19612-9036

Phone #-610-320-8501

Email address-Dehst@sovereignbank.com

B) Governor Edward G. Rendell

225 Main Capitol Building

Harrisburg, Pennsylvania 17120

Phone: (717) 787-2500 Fax: (717) 772-8284

E) Modesto Fiume

Executive Director of the Opportunity House
Homelessness Shelter

430 N 2nd St

Reading, PA 19601-2753

Phone: 610-374-4696

3. RATING FACTOR 3: SOUNDNESS OF APPROACH

A) PROPOSED ACTIVITIES

1. Description of Program

As has been shown throughout the narrative, the three entities in the consortium have been addressing the issues of neighborhood stability for some time, including the issue of foreclosure and the destabilizing affect that this has had on neighborhoods. The City and Our City Reading have been partners in the Federal Housing Administrations Asset Control Area Program which address FHA foreclosed homes, and been recognized by FHA as having the best record in the nation in the number of homes purchased, renovated and sold. In addition, the Reading Housing Authority, Our City Reading and the City have addressed the issue of bank and tax foreclosure. Since their activities started eight years ago, more than 425 homes have been renovated and sold to families of low and moderate income. In addition, we previously discussed the neighborhood stability efforts that have been undertaken, such as Meet the New Neighbor Parties and Homeownership Counseling. That existing effort has been funded by the private banks, Oppenheimer & Co in the case of rental housing, Home funds, Community Development Block Grant Funds, funds from private donations and the Federal Home Loan Bank, personal charitable donations from Albert Boscov, Congressional EDI funds and funds from the Commonwealth of Pennsylvania. These renovations will continue and the addition of NSP funds will dramatically increase the impact that the existing funds have. It will significantly enhance the results, shortening the time lines for stable neighborhoods to develop.

NSP 2 funds will broaden the existing effort by providing additional funds for:

1. The purchase 151 foreclosed, abandoned and vacant homes
2. The necessary subsidies to leverage private funds for the renovation of 120 additional homes to be sold to low and moderate income families. Private mortgages will supplement NSP funds in this effort.
3. The renovation of 31 homes by the Reading Housing Authority for a rent to own program by families earning less than 50% of median income.
4. Additional funds to provide homeownership counseling
5. The private sector will continue to fund neighborhood stability efforts such as the Meet the New Neighbor Party, graffiti removal, cleaning alleyways, etc.
6. The conversion of NSP2 Funds used during construction into soft second mortgages, or grants, for low and moderate income purchasers of homes from Our City Reading. This is further explained below.

Over the next three years, outside of the NSP2 program, the existing program will lead to the acquisition and renovation of 164 units, the construction of 64 new apartments, at a total cost of \$26,965,000.00. The NSP program will be leveraging \$8,025,000.00 of private financing.

Based on the track record of the existing program it is estimated that the joint efforts of the existing program and the NSP Program will achieve the desired results of neighborhood stability between 2.5 to three years. It is expected that based on past performance, 75% of the units will be completed by the end of the second year.

The following long term economic benefits are expected to be achieved.

1. Based upon past performance, it is expected that the property tax yield will increase by \$195, 455.00, which will provide needed funds for the schools and essential public services.
2. When the income effect of beneficiaries of the existing program are taken into account it is expected that the purchasing power in the targeted neighborhoods will increase by \$3,740,800.00 (avg. homeowner makes (\$28,339.40).
3. Based on the data of the existing program, property values are expected to increase by \$2,265,000.00. The methodology used to arrive at this number was the comparisons between appraisal reports prior to neighborhood stability efforts under the current program and new appraisal reports.
4. The economic development efforts to assist these neighborhoods, which were described earlier, will continue. Our City Reading will soon begin construction on a \$45,000,000 Doubletree Hotel which will create approximately 100 new positions to low and moderate income residents of the targeted neighborhoods. In addition the Goggie Works II project, a \$5,000,000 mixed use project will begin soon. As mentioned earlier, the economic development efforts to create jobs for neighborhood residents are as important as the housing efforts.

2. Uses of Funds and Firm Commitments

a. Uses of Funds

The table below indicates the budget. It must be kept in mind that while we have shown the primary unit responsible for each activity the City of Reading Department of Community Development will have primary responsibility for compliance and financial controls. It should also be noted that the construction and acquisition budgets below are supported by construction lines of credit secured by Our City Reading and the Reading Housing Authority. These lines will be taken out by permanent financing whereby NSP funds used during construction will be used as second mortgages at take out and private mortgages will take out private construction funds. This activity will be shown in a separate table.

Activity	Private Funds	NSP Funds	Total	Entity responsible for delivery	Federal Eligibility
Acquisition of foreclosed, abandoned and vacant homes for renovation ¹	\$1,320,000	\$1,080,000	\$2,400,000	City of Reading Department of Community Development with Our City Reading	24CFR570.201(a)
Renovation of foreclosed, abandoned and vacant homes ²	\$5,280,000	\$4,320,000	\$9,600,000	Our City Reading	24CFR570.202
Home Ownership Counseling		\$ 40,000	\$ 40,000	Our City Reading	24CFR570.202
Acquisition of homes meeting the HUD Guidelines for rental renovation for families at 50% or below median income	\$303,906	\$ 394,094	\$629,694	City of Reading Department of Community Development & Reading Housing Authority	24CFR570.201(a)
Renovation of homes meeting the HUD Guidelines for rental to own housing for families at or below 50% of median income	\$896,094	\$1,593,056	\$2,489,150	Reading Housing Authority	24CFR570.202
Homeownership Counseling	0	\$12,850	\$12,850	Reading Housing Authority	24CFR570.202
Project Administration		\$560,000	\$560,000	Reading Housing Authority,	As permitted by NSP2 Regulations

				Our City Reading, City of Reading Community Development	
Totals	\$7,800,000	\$8,000,000	\$15,800,000		

(Footnote 1&2) As described previously NSP funds used for the Renovation of Foreclosed, abandoned and vacant homes by Our City Reading will be converted to second mortgages or grants under 24 CFR 570.201 (a) in the amount of \$5,400,000.

a. Range of Activities in Narrative Form

As mentioned previously, under NSP2, 151 homes will be purchased, renovated and 120 homes will be sold to persons of low and moderate income and 31 homes will be rented to persons under 50% of median income under a rent to own program. The steps in this implementing this process is discussed below:

1. Acquisition

It is expected that for the most part, the acquisition procedures that have been used by the Consortium members in the existing neighborhood stability program will continue to be used in the NSP2 program. There are a number of participants in the acquisition process as follows:

- a. Bank foreclosed homes; Our City Reading and the Reading Housing Authority have a number of contacts with the REO Officers in such banks as Sovereign Bank. The bank will notify the Housing Authority or Our City Reading as to the availability of these homes and in 90% of the cases in the past, the homes are donated and the bank takes a charitable donation. In the other 10% of homes offered, prices are negotiated at a below market value and the bank then takes a charitable donation between the agreed upon price and the market value. In instances where the property is not donated, an appraisal will be ordered for compliance with the mandated discount.
- b. Tax Foreclosures- At the current time, until the law is changed, Our City Reading attends tax foreclosure sale and bids on the properties. Our City Reading always bids below the market value and Our City Reading is successful 90% of the time. This procedure will be continued to be followed until Berks County changes the law to allow it to deal directly with nonprofits and cities. Since the tax lists are made available before the formal bidding the City will order appraisals on the properties that are of interest to assure that the statutory discount rule is followed.

- c. Office of Housing and Urban Development - Our City Reading and the City of Reading have been assured by the Office of Housing and Urban Development that as soon as the ACA Program is reinstated, a new contract will be issued to the City and Our City Reading. Until that is accomplished, Our City Reading will be the lead organization to purchase homes through the HUD web site. It is expected that by the time NSP2 Announcements are made, that the ACA Contract will have been executed, and this will be the preferred methodology under NSP2. Under the ACA Program, in conjunction with NSP 2, appraisals will not be ordered as the homes are made available for \$1.00. HUD homes obtained through the web-site will be subject to appraisals to determine the statutory discount.
- d. Absentee Landlords- It is expected that this acquisition activity will decrease under NSP 2, because of the increased resources that will be made available, and increased foreclosure activity in this sector of the market. However, under NSP2 the existing procedures will be followed, except that an Appraisal will be ordered to determine the statutory discount. When a property has been targeted, the City will send in Code Enforcement Officers to determine the violations, and then city personnel, with the assistance of the Our City Reading or Housing Authority will make an offer to the property owner. This offer will be based on both the Code Enforcement Report and the HUD required appraisal.

2. Renovation Activities

After a home is purchased, the procedures under the existing program will be followed under NSP2 as follows:

- a. All personal possessions are first cleared out of the house so that inspection personnel will clearly be able to determine the extent of renovation to be done.
- b. Our City Reading Personnel and the City Rehab personnel go into the home and do a detailed work write-up and cost analysis. This write up is carried out to meet all City, State and Federal Requirements, and in the case of NSP 2 special attention will be paid to Energy Savings. Lead Based Paint analysis is also conducted by a certified specialist.
- c. In many cases amenities are added to the work write-up to make the house more livable. This includes enlarging kitchen, installing new cabinets to allow for modern appliances, enlarging bathrooms and making available facilities for a washer and dryer.
- d. The write up is then converted to a bid document and the project is bid, and the bid is awarded to the lowest responsible bidder. Bid documents contain all required HUD Certifications such as Section 3.

- e. A contract is then entered into. These contracts contain all the HUD mandated language as well as detailed unit costs. A Progress Schedule is also entered into which consists of three payments, with a 10% holdback. Prior to the approval of each progress payment the work is inspected by both the City and Our City Reading or the Housing Authority.
- f. If a change order is required, the City's Rehab Specialist first determines its validity. If the need is validated, negotiations are entered into which involved the City Rehab Specialist and a representative of Our City Reading or the Housing Authority. Once a price and the scope of work are approved, the change order is issued and becomes a contract addendum.
- g. Prior to Final payment a final inspection is completed, a punch list issued, and after completion of the punch list, final payment is made. Prior to final payment being made the contractor must issue the warranties and a Certificate of Occupancy must be issued.

3. Financing

Under NSP 2 the following financing arrangements have been made:

- a. During construction for Our City Reading, a line of credit has been issued which will permit the use of bank funds. As the end buyer has been selected, the NSP funds will also be used during construction.
- b. Take out of the line of credit for Our City Reading will be from a first mortgage from the private bank loan pool available under the existing program and extended to the NSP2 Program and a soft second mortgage from the NSP2 Program, which is discussed in a separate narrative under this Section.
- c. The Reading Housing Authority has received a commitment from Evanston Financial, a division of Oppenheimer and Co. For construction and permanent financing for the rental units, NSP funds will be used during construction financing and the level of financing was arrived at by determining the level of subsidy needed to make the units available to persons at 50% or below median income. It should be noted that the Housing Authority will make some of these units available to families with very low income. It is the plan of the Housing Authority, that through intensive counseling, that these families will become eligible for home ownership.

4. Marketing, Sales and Rentals

- a. Both Our City Reading and the Reading Housing Authority inform the public of the availability of homes through newspaper advertisements, mailers, outreach to

neighborhood groups, public events and postings through the City of Reading Department of Community and Economic Development. Our City Reading also has a volunteer group which works with both community groups and directly within the neighborhoods to inform families of the availability of housing.

- b. Our City Reading carried out the following steps in its selection process in determining eligibility for and then assisting low and moderate income families in purchasing its homes. This system will remain in place for NSP2.
 1. The Families income is verified with the assistance of the Department of Community Development by using income tax returns, updated W2s from Employers and frequently uses Form 4506 to request income tax returns directly from the Internal Revenue Service. Once the income is verified by both the Department of Community Development and Our City Reading, a credit check is run. The credit check will determine eligibility for housing and the likelihood of success for housing counseling
 2. The family is then enrolled in the housing counseling program receiving more than 8 hours of counseling. The Department of Community Development has a contract and sub-recipient Agreement with Neighborhood Housing Services to perform this function and encompasses both families selected by Our City Reading and the Reading Housing Authority. This contract will continue under NSP2.
 3. After successful completion of the course, the family is sent to a lender for pre-qualification for a mortgage. All mortgages used in the existing program will be continued under NSP such as FHA 203(b), FHA 221d-4 and bank mortgages which have set rates and terms. Subprime mortgages have not and will not be permitted under NSP2. In determining the level of the mortgage and the size of the NSP 2 second mortgage, the Federal Housing Administration's Guidelines as to affordability are and will be used. It is contemplated that a first mortgage and a second mortgage provided by NSP2 will make the home affordable. A minimum down payment of a least \$500. is and will be required under the NSP 2 program. The NSP 2 subsidy will encompass closing costs as well.
 4. After the home is completed, the staff of Our City Reading arranges a Meet Your Neighbor Party in which the buyers are introduced to the neighborhood and the neighborhood is provided with information by the City as to the City's service for neighborhood stability. Merchants such as Boscov's Department Stores provide free food and gifts such as free trash cans for the affair.

5. It should also be noted that there is a list maintained by Our City Reading as to families waiting for homes and priority is given to the homeless, the very low income and then by date of intake.
6. This procedure has worked well in the sale of 425 homes, and has been recognized through a best practices award by HUD and by audits of the HUD Inspector General for its effectiveness.

c. The Reading Housing Authority will carry out the following procedures in tenant selection for the homes that they have renovated and will be used for the rent to own Program under NSP2

1. The Reading Housing Authority currently has a waiting list of 2,200 families and this waiting list is currently closed because the backlog is more than 1 ½ years for unit availability.
2. The Housing Authority will select from its current list, eligible families at or below 50% of median income who it deems suitable for the rent to own program. The Housing Authority will use the established HUD required procedures for income verification.
3. Each family that is preliminarily selected will be interviewed by Neighborhood Housing Services or BCAP, for an evaluation of their eventual success for homeownership.
4. Each family is also counseled by the staff of the Housing Authority as to their responsibilities and obligations as a renter.
5. Financial Controls:

Under Section F of this rating factor, the internal auditing function is described. However, the City of Reading Planning and Community Development will bear all responsibilities for financial controls. This will encompass establish financial reporting and procurement systems for all consortium members in compliance with the relevant Circulars of the Office of Management and Budget, periodic financial reporting by all consortium members and review of such reports by the Financial Officer of the Department and the retention of outside Auditors each year who will conduct the audits within the guidelines of HUD.

The Reading Housing Authority will be responsible for mortgage servicing. It already carries out this function as part of its homeownership program.

In addition the Department of Community Development will be responsible for all the reporting requirements as mandated under the NSP 2 Program, the provisions of the Recovery Act and the Financial Transparency Act.

6. Range of interest rates, duration or terms of assistance and tenure of beneficiaries :

As stated previously NSP2 funds will be converted to second mortgages for the low and moderate income buyers of a home. The interest rate set for the second mortgage will be in accordance with Federal Housing Administration guidelines which consider not only the debt service on the loan, but expenses such as taxes, utilities and maintenance. In some cases there will be no interest charged, only principal and in others principal and interest will be deferred they may be forgiven given the financial circumstances of the buyer. The length of the assistance will be in accordance with HOME Guidelines which are as cited in 24CFR92.252 (a),(c)(e) and (f) and 92.254, which are briefly summarized as follows: The affordability period is determined by the amount of NSP2 funds injected in accordance with HOME guidelines as illustrated in the table below.

HOME Affordability Periods	
HOME Investment	Affordability Period
Less than \$15,000.00	5 years
\$15,000.00 - \$40,000.00	10 years
\$40,000.00 or more	15 years

As funds are repaid, they will continue NSP2 activities. This will be recorded as program income and the repaid funds will be expended for the activities previously described and under the Guidelines and Policies of the NSP Program.

For the rental program of the Reading Housing Authority, the amount of NSP2 subsidy was set at a level so that units will be affordable to families at or below 50% of median income. Consideration was given that some of the units will be rented to families of very low income. In addition, rental payments are set to allow the families to save funds to establish down payments for purchasing of a house.

As incomes rise and the families accumulate sufficient funds for down payments, they will be offered homes under the programs of Our City of Reading, or homes under the Housing Authority's Section 8 Program. These families will also have

undergone extensive homeownership counseling as well as employment counseling. Mention has been made previously of the extensive and successful economic development efforts of the City. These families will, under the Provisions of Section 3, receive priority for jobs created as a result of these economic development efforts. As families "graduate" to their own homes, the cycle will begin again for new families who will occupy these units.

Using census and postal data information the area in which activities would be undertaken were identified. The 31 units of abandoned homes to be converted to rental units for families making less than 50% of median income were targeted for the following streets in the following census tract.

The following census tracts and addresses were targeted for acquisition and renovation.

SEE ATTACHED - LISTING OF PROPERTIES

C. Other Funds:

The Other funds committed for this program are as follows:

1. A line of credit from Sovereign Bank or Oppenheimer Co. in the amount of \$1,300,000.00 to Our City Reading to carry out construction activities.
2. A construction permanent loan from Evanston Financial, a subsidiary of Oppenheimer & Company in the amount of \$1,120,000 to the Reading Housing Authority to carry acquire and carry out substantial renovation of abandoned homes for rental to persons earning 50% or below median income.
3. The injection of an additional \$6,600,000 of mortgage funds by the existing mortgage consortium as evidenced by a letter from Sovereign Bank.

d. Demolition Activities

No demolition activities are being proposed under the Consortium's Application for NSP 2 funds.

B) PROPOSED COMPLETION SCHEDULE.

SEE ATTACHED A & B

C) INCOME TARGETING

Vacant Property Windshield Review																				
Census	House #	Street	Census	House #	Street	Census	House #	Street	Census	House #	Street	Census	House #	Street	Census	House #	Street	Census	House #	Street
1000	161	Douglas	1000	644	N Front	1100	528	Millmore	1200	230	Pear									
1000	136	Greenwich	1000	715	N Front	1100	535	Millmore	1200	245	Pear									
1000	140	Greenwich	1000	716	N Front	1100	542	Millmore	1200	248	Pear									
1000	141	Hudson	1000	833	N Front	1100	543	Millmore	1300	237	Hudson									
1000	144	Hudson	1000	106	Oley	1100	816	Ritter	1300	515	N 3rd									
1000	145	Hudson	1000	109	Oley	1100	736	Schuykill Ave	1300	517	N 3rd									
1000	151	Hudson	1000	111	Oley	1100	752	Schuykill Ave	1300	207	N 4th									
1000	154	Hudson	1000	634	Pear	1100	754	Schuykill Ave	1300	215	N 4th									
1000	156	Hudson	1000	824	Pear	1100	806	Schuykill Ave	1300	300	N 4th									
1000	157	Hudson	1000	838	Pear	1100	808	Schuykill Ave	1300	302	N 4th									
1000	158	Hudson	1000	132	W Douglass	1100	841	Schuykill Ave	1300	304	N 4th									
1000	159	Hudson	1000	143	W Green	1100	843	Schuykill Ave	1300	306	N 4th									
1000	165	Hudson	1000	158	W Green	1100	843	Schuykill Ave	1300	326	N 4th									
1000	169	Hudson	1000	128	W Oley	1100	861	Schuykill Ave	1300	356	N 4th									
1000	525	McKnight	1000	150	W Oley	1100	862	Schuykill Ave	1300	326	N 5th									
1000	641	McKnight	1000	163	W Oley	1100	519	Tulpehocken	1300	405	N 5th									
1000	738	McKnight	1000	170	W Oley	1100	521	Tulpehocken	1300	407	N 5th									
1000	738	McKnight	1000	222	W Oley	1100	526	Tulpehocken	1300	408	N 5th									
1000	742	McKnight	1000	621	Weiser	1100	533	Tulpehocken	1300	337	N 6th St									
1000	826	McKnight	1000	629	Weiser	1100	535	Tulpehocken	1300	409	Walnut									
1000	606	N 2nd	1000	639	Weiser	1100	542	Tulpehocken	1300	408	Woodwa									
1000	610	N 2nd	1000	719	Weiser	1100	547	Tulpehocken	1300	410	Woodwa									
1000	624	N 2nd	1000	728	Weiser	1100	604	Tulpehocken	1300	432	Woodwa									
1000	634	N 2nd	1000	111	Windsor	1100	606	Tulpehocken	1800	222	Clymer									
1000	722	N 2nd	1100	815	Gordon	1100	610	Tulpehocken	1800	224	Clymer									
1000	824	N 2nd	1100	819	Gordon	1100	623	Tulpehocken	1800	226	Clymer									
1000	842	N 2nd	1100	829	Gordon	1100	630	Tulpehocken	1800	1608	Forrest									
1000	523	N Front	1100	320	Hollenbach	1100	632	Tulpehocken	1800	1319	Good									
1000	526	N Front	1100	326	Hollenbach	1100	634	Tulpehocken	1800	1532	Haak									
1000	528	N Front	1100	714	Lincoln St	1100	635	Tulpehocken	1800	1714	Haak									

1000	531	N Front	1100	820	Lincoln St	1100	638	Tulpehocken	1800	1714	Haak
1000	622	N Front	1100	524	Millimore	1100	647	Tulpehocken	1800	1725	Haak
1000	628	N Front	1100	526	Millimore	1100	661	Tulpehocken	1800	1726	Haak
1100	663	Tulpehocken	1200	328	Pear	1200	328	Pear	1800	1728	Haak
1100	674	Tulpehocken	1200	330	Pear	1200	330	Pear	1800	1733	Haak
1100	678	Tulpehocken	1200	525	Ritter	1200	525	Ritter	1800	307	Hoskins
1100	251	W Douglass	1200	527	Ritter	1200	527	Ritter	1800	327	Hoskins
1100	313	W Douglass	1200	329	Schuylkill Ave	1200	329	Schuylkill Ave	1300	232	Hudson
1100	425	W Douglass	1200	106	Walnut	1200	106	Walnut	1300	235	Hudson
1100	332	W Green	1200	119	Walnut	1200	119	Walnut	1300	236	Hudson
1100	155	W Greenwich	1200	127	Walnut	1200	127	Walnut	1800	1532	MSR
1100	202	W Greenwich	1200	131	Walnut	1200	131	Walnut	1800	1546	MSR
1100	205	W Greenwich	1200	153	Walnut	1200	153	Walnut	1800	1552	MSR
1100	218	W Greenwich	1300	532	Buttonwood	1300	532	Buttonwood	1800	1602	MSR
1100	141	W Oley	1300	538	Buttonwood	1300	538	Buttonwood	1800	1606	MSR
1100	145	W Oley	1300	540	Buttonwood	1300	540	Buttonwood	1800	132	N 11th
1100	146	W Oley	1300	541	Buttonwood	1300	541	Buttonwood	1800	1250	Perkiome
1100	224	W Oley	1300	542	Buttonwood	1300	542	Buttonwood	1800	1392	Perkiome
1100	225	W Oley	1300	544	Buttonwood	1300	544	Buttonwood	1800	1436	Perkiome
1100	231	W Oley	1300	413	Church	1300	413	Church	1800	1502	Perkiome
1100	259	W Oley	1300	510	Elm	1300	510	Elm	1800	1504	Perkiome
1100	422	W Oley	1300	401	Green Terrace	1300	401	Green Terrace	1800	1536	Perkiome
1100	421	W Windsor	1300	403	Green Terrace	1300	403	Green Terrace	1800	1615	Perkiome
1100	429	W Windsor	1300	406	Green Terrace	1300	406	Green Terrace	1800	1714	Perkiome
1200	363	N 2nd	1300	406	Green Terrace	1300	406	Green Terrace	1800	1761	Perkiome
1200	127	N Front	1300	407	Green Terrace	1300	407	Green Terrace	1800	1840	Perkiome
1200	129	N Front	1300	211	Greenwich	1300	211	Greenwich	1800	1840	Perkiome
1200	144	N Front	1300	237	Greenwich	1300	237	Greenwich	1800	1843	Perkiome
1200	165	N Front	1300	238	Greenwich	1300	238	Greenwich	1800	323	S 16th
1200	227	N Front	1300	200	Hudson	1300	200	Hudson	1800	325	S 16th
1200	317	N Front	1300	204	Hudson	1300	204	Hudson	1800	301	S 17 1/2 S
1200	329	N Front	1300	206	Hudson	1300	206	Hudson	1800	309	S 17 1/2 S
1200	334	N Front	1300	211	Hudson	1300	211	Hudson	1800	324	S 17 1/2 S
1200	352	N Front	1300	220	Hudson	1300	220	Hudson	1800	327	S 17 1/2 S
1200	364	N Front	1300	222	Hudson	1300	222	Hudson	1800	302	S 17th
1200	124	Pear	1300	225	Hudson	1300	225	Hudson	1800	306	S 17th
1200	132	Pear	1300	227	Hudson	1300	227	Hudson	1800	224	S 18th

The members of the Consortium will meet its NSP2 Income targeting obligations as follows:

1. Our City Reading, in co-operation with the City of Reading Department of Community Development will expend \$6,600,000 of private funds and \$5,440,000 to acquire, and substantially renovate 120 homes for persons at or incomes below 120% of median income.

They will also provide more than 8 hours of counseling to these families under their existing contract with Neighborhood Housing Services, which will be extended to include NSP2 families. The total cost of this effort will be \$12,040,000.

It should be noted, as described earlier, that the City and Our City Reading have expended millions of dollars and renovated hundreds of homes for families earning at or less than 80% of median income, so that the extension to families earning up to 120% of median income will not be difficult.

2. In co-operation with the City of Reading Planning and Community Development Department, the Reading Housing Authority will acquire and substantially renovate 31 homes for persons at or below 50% of median income. The Housing Authority will expend \$1,200,000 of private funds and \$2,000,000 of NSP 2 funds and \$12,850 of NSP 2 funds for housing counseling, through the City's contract with Neighborhoods Housing Services, to be extended to cover NSP2 families. The housing counseling effort will continue for families renting units until they are ready to own a home. The total cost of the efforts will be \$3,212,850 and the \$2,000,000 of NSP2 funds represents 25% of the total funding being requested from NSP2.

The Housing Authority is experienced in income verification of families who are of low income and of very low income, and sees no difficulty in meeting its obligations under NSP2

D) CONTINUED AFFORDABILITY

It has previously been mentioned that the Department of Community Development will have the primary responsibility in carrying out and enforcing the provisions of 24CFR 92.252 (a)(c)(e) and f and 92.254 of the Home Regulations in assuring that the affordability guidelines are adhered to. The Department already administers \$1.1 million of Home funds on an annualized basis, and is totally familiar with the requirements and enforcement of these provisions. Specifically it will carry out the continued procedures for NSP2 as follows:

-1-120% of Area Median or below- The Department will insure that all closing documents for second mortgages under NSP 2 will have the mandated affordability

27
language and enforcement provisions, including anti-speculation language. It enforces this language by:

- a. Yearly collection of income tax data from families, and when necessary verifying these figures by requests to the Internal Revenue Service through IRS Form 4506.
 - b. Carrying out field visits to verify continued occupancy and obtain data when it is not forthcoming.
 - c. Negotiate with the families non-compliance issues or when necessary refer the matter to the Office of the City Attorney for legal enforcement.
2. 50% of median income- The Reading Housing Authority is already experienced in income verifications and enforcement. It carries out, and will continue to carry out the following procedures under NSP2 to insure compliance under the rental provisions of the HOME Regulations.

The Reading Department of Community Development will insure that the procedures of the Reading Housing Authority are being followed.

E) CONSULTATION, OUTREACH AND COMMUNICATIONS

1. Consultations with Local Government and the State:

The Reading Department of Community Development has met with the Commonwealth of Pennsylvania to discuss its goals for the NSP1 and the City's strategy for the NSP2 Program. They have also consulted with the County of Berks Department of Community Development for areas of co-operation in the acquisition of the NSP2 Program. The County of Berks has co-operated in the past with the programs of Our City Reading and the City of Reading in that they provide funds for acquisition and demolition. For instance, in carrying out the Goggle Works new construction apartment project, the County contributed demolition funds. It is expected that this co-operation will continue.

2. Outreach and Affirmative Marketing Actions:

The narrative has already described these programs under the existing Neighborhood Stability Program carried out by the Consortium members. These consist of, and will continue under the NSP 2 programs as follows:

- a. Newspaper advertisements, outreach to neighborhood groups, public events, posting by the Reading Department of Community Development including postings on the City's Web page and the Use of Our City Reading volunteers who work directly in the neighborhoods informing families of housing opportunities.

- b. The use of the waiting list of the Reading Housing Authority which has a huge backlog of eligible applicants.
 - c. Our City Reading has a waiting list of several families waiting for home ownership opportunities who are at or below 80% of median income
 - d. As under the existing program, these outreach efforts, as well as the eligibility analysis and home counseling efforts are continuous and will continue under NSP2 on a continues basis. For instance, Our City Reading runs at least 4 ads per months and an example of such an ad is embedded below (Gareth, I don't know if we can do this, but can we try). The Reading Housing Authority through its Section 8 Program and apartment projects is already receiving a huge demand for vouchers and units, exacerbated by the economic downturn.
3. Communications with the Public:

The members of the Consortium are highly experienced in the citizen participation process through their involvement with the CDBG Program, the Home Program, State Programs and their outreach efforts in marketing these various programs. These efforts will continue under the NSP 2 Program as follows:

- a. Program design and opportunities for home ownership or rentals, such as eligibility standards and availability of units are and will be incorporated in the newspapers advertisements, outreach efforts to neighborhood groups ,postings on the City 's web page and by the neighborhood activities of Our City Reading Volunteers
- b. Progress and Results will be posted on the City of Reading's web pages, through public events, news conferences and to the City of Reading's City Council during public meetings.
- c. The Department of Community Development in its Announcement concerning the NSP2 has designated itself as the lead Agency in receiving any comments regarding the NSP2 Program. It will continue this function during the implementation phase and the Director of the NSP2 program will process all comments and complaints, consult with the Consortium member to resolve and respond to these inquiries and complaints in 15 days or less. The Comments, inquiries and complaints, and their resolution, will be posted on the City's Webs page, as well as on flyers made available in the offices of all Consortium members, so that the general public can benefit from them.

If weaknesses are found in the Program, as a result of citizen input, they will be corrected by program changes made by the City Council and Mayor of the City of Reading and the Governing Boards of Our City Reading and the Reading Housing Authority.

F) PERFORMANCE AND MONITORING

The City of Reading Planning and Community Development Department, which will in charge of internal monitoring is experienced in administering several HUD Grants and will base its' internal audit feature on the models previously used, as follows:

1. Description of Monitoring Plan:

The Reading Department of Community Development has found invaluable the assistance given to it by HUD Form 96010 and the excel e logic model that accompanies this form. It will be formatted to measure goals and results in the NSP2 Program. It will edit the forms to measure the NSP2 Program using the questions developed by the Carter -Richmond Methodology and the Reginald Carter documents "How to Evaluate the Effectiveness of Public and Private Programs."

It will measure the following activities and outputs:

Activity	Output
Site Acquisition	Parcels
Site Acquisition	Dollars
Homes Renovated	Parcels
Homes Renovated	Sq. footage
Homes Renovated	Dollars
Homes under Renovation	Dollars
Homes under Renovation	Sq. footage
Site acquisition negotiations	When begun
Site acquisition negotiations	When completed
Homes Renovated	When begun
Homes Renovated	When completed
Families receiving Homeownership Counseling	Number
Families receiving Homeownership Counseling	Dollars
Families receiving Homeownership Counseling	When begun
Families Receiving Homeownership Counseling	When Completed
Work write-up and bidding	When begun
Work write-ups and bidding	When completed
Energy Efficiency	Dollars
Energy Efficiency	Square footage
Abatement of environmental conditions, including lead abatement	Dollars
Abatement of environmental conditions, including lead abatement	Square Footage

Private Interim construction dollars	Dollars
Private Interim construction dollars	Sq. footage
Private mortgages committed	Dollars
Private mortgages committed	Sq. footage
NSP Interim construction dollars	Dollars
NSP Interim construction dollars	Sq. footage
NSP Mortgages committed	Units
NSP Mortgages committed	Dollars
Families Assisted	Number
Families assisted	Income
Families on waiting list by income category	Number
Outreach efforts by category	Number
Inquiries and complaints addressed	Number and time period
Property Value increase	Dollars
Purchasing Power Increase	Dollars
Property Tax Increase	Dollars
Neighborhood stability activities such as Meet Your Neighbor	Number
Employment Assistance to NSP 2 recipients to take advantage of economic development activities	Number

This document will be refined as the program experience matures. It will be aimed at measuring the results listed below against the goals of the NSP 2 Program both in family beneficiaries, budget documents and timelines:

- a) Units that were renovated
- b) Construction progress
- c) Costs of various activities to keep within budget limitations
- d) Assisting families by income category
- e) A profile of the population being serviced
- f) To provide immediate feedback as to difficulties and successes with the Program.

The data bases to be used will include construction logs, financial databases, interviews, outcome scales, technical assistance logs, time sheets, tax assessor database, audit reports, certificates of occupancy, code violation reports, counseling reports, employment records, inspection results, legal documents, mortgage documents, site reports, progress reports, sales documents, waiting lists and work plan reports.

2. Meeting Internal Audit Requirements:

The City of Reading Department of Community Development will be responsible for the internal audit requirements. This will specifically fall to the Director of NSP Activities and the Chief Financial Officers of the Department. The internal audit requirement will be carried out as follows:

- a. Both the Reading Housing Authority and Our City Reading will be receive copies of the excel e logic model worksheet and will be required to submit it monthly, with backup documentation to the Department.
- b. The data will be evaluated and compiled on a master excel document and a narrative prepared as to where the successes and problems lie in meeting the stated goals of the Program.
- c. At the biweekly meeting of the Consortium, the Consortium Managers will discuss how to capitalize on the areas of success and how to solve problems. These solutions will be measured at the next meeting.
- d. Every six months, the Department will post on the City's web page the results of its efforts.

31

RATING FACTOR 4: LEVERAGING OTHER FUNDS, OR REMOVAL OF SUBSTANTIAL
NEGATIVE EFFECTS:

A) LEVERAGE

Under the HUD Definition of Leverage, the following funds have been identified which meet those terms:

- a. The Reading Housing Authority has received a commitment from Evanston Financial, an affiliate of Oppenheimer & Co, Inc., for a construction and permanent loan in the amount of \$1,200,000, for the construction and permanent mortgage financing for the acquisition and renovation of 31 abandoned homes for rental to families at 50% or below median income.
- b. Our City Reading has received a commitment from Sovereign Bank and Oppenheimer and Co. for a line of credit in the amount of \$1.3 million for funding the acquisition and construction phase of renovation activities.
- c. Boscov's Department Stores donate at cost all star refrigerators, stoves, washers and dryers under the existing program of Our City Reading. They will continue this under the NSP2 Program and the value of this activity at current dollars is estimated at \$226,500.00 for the 151 homes to be renovated under the NSP2 Program.

While not counted in the leverage section, the Applicants have provided evidence to HUD in the Appendix Section of the mortgage pool that is available to families for the purchase of NSP2 homes.

In addition as negotiations have not commenced, we have not used above value of homes donated by the Federal Housing Administration under the ACA Program, the banks and individuals for the existing programs of the Consortium members. During the last two years, 99% of homes completed by Our City Reading were received by donation or from the Federal Housing Administration, for a dollar value of \$2,749,229.00. If this data were extrapolated for the NSP 2 Program the value of these land donations would be \$4,152,500.00, for the NSP2 Program.

The Leverage Ratio for item a-c above is .34

If HUD permits extrapolated data for donations during the last two years, the leverage ratio would be .86

b) Removal of Substantial Negative Effects

Factor 4 Narrative

As discussed and documented in the response to Factor 1, there are an estimated 434 vacant housing units in the NSP2 targeted geography based on the U.S. Postal Service Vacancy Survey for the First Quarter of 2009. A field survey completed as part of the preparation of this application identified 238 vacant, abandoned units. The City of Reading and its consortium partners propose to acquire and rehabilitate 151 vacant units. Utilizing the rubric contained in Appendix 3 of the NSP2 NOFA results in the following impact on the removal of negative impacts when one considers all vacant units.

33

Vacant Units to Be Addressed	151	
<hr/>		= 34.8% Impact
Vacant Units in the Target Area	434	

However, in terms of the negative impacts resulting from long vacant and abandoned housing units, it is more reasonable to use a number of vacant units closer to the U.S. Postal Service count of units vacant for 12 months or longer (230) and those identified in the field survey as vacant and abandoned (238). Utilizing the rubric with the 230 unit count from the U.S. Postal Service, the impact is as follows:

Vacant Units to Be Addressed	151	
<hr/>		= 65.7% Impact
Vacant Units in The Target Area	230	

36

RATING FACTOR 5: ENERGY EFFICIENCY IMPROVEMENT AND SUSTAINABLE DEVELOPMENT FACTORS

A) Transit Accessibility:

Public Transportation in the City of Reading is operated by BARTA. The City of Reading Department of Community Development has verified that each census tract in the Application is serviced by bus transit from 8th and Franklin St. and bus lines are within walking distance of homes in the neighborhoods in which NSP2 activities are being carried out. These bus lines connect to the regional employment centers located at 8th and Franklin to downtown Reading which is major regional employment center, to all industrial parks located in the City, and to the intermodal center located at 8th and Franklin where intrastate and interstate bus service is available by Regional and National carriers. From this center there is frequent service to the City of New York as well as to Philadelphia. BARTA provided us with the following information regarding the census tracts being targeted by the NSP2 Application and the availability of bus service.

Census Tract	Bus Route	Frequency of Service during rush hour	Frequency of Service during non-rush hours
001000	Rt. 18	20 minute intervals	45 minute intervals
001100	Rt. 18	20 minute intervals	45 minute intervals
001200	Rt. 18	20 minute intervals	45 minute intervals
001300	Rt. 18	20 minute intervals	45 minute intervals
001800	Rt. 4	20 minute intervals	45 minute intervals

B. Green Building Standards

The construction of these units will seek to achieve the highest energy efficiency possible for homes in older housing stock. All homes are gutted and reconstructed from the structural framing out. Due to the extent of the renovation, several green, or energy efficiency items are achieved, that were not feasible before.

All homes will be completely re-wired; all plumbing fixtures (including supply and waste lines) will be replaced with low flow toilets, and water saving fixtures.

New insulation (attic, walls, and basement) will be insulated.

All new heating systems are installed using 95% efficiency units, as well as 95% efficient water heaters.

All windows and doors are replaced with double pane high efficiency windows.

Cracks, opening, edges are all caulked/sealed/ or weatherized to increase energy efficiency.

Appliances used will be energy star rated.

35

c. Re-use of cleared sites:

This activity is not being proposed under the Application.

D. deconstruction: There is no demolition of buildings being carried out by the Consortium in the NSP 2 Application. However, it has been the practice of Our City Reading, under its' existing Program, and to continue under the NSP2 Program, to re-use, where feasible, all building components that must be removed during renovation. This includes doors, sills, sash and other building components that contribute to integrity and charm of a structure.

e. Sustainable Development Practices:

Our City Reading will install solar panels on all roofs where the roof is exposed to enough direct sun light to capture energy to power a solar powered hot water heater. Our City Reading has explored this option and where feasible will install these panels as a way to inspire energy conservation to the neighborhood.

RATING FACTOR 6: NEIGHBORHOOD TRANSFORMATION AND ECONOMIC OPPORTUNITY

1. Certification

On the following page is the Certification from the Lead Applicant, the City of Reading, that the NSP2 activities described in the Application are consistent with the Consolidated Plan, the ACA Plan and the Master Plan of the City of Reading.

Copies of the Consolidated Plan, the Asset Control Area Plan and the Master Plan can be obtained by writing to:

Marty Mayes – Director/Department of Community Development/815 Washington Street/Reading, Pa. 19601

The plans can also be obtained at the following email address:

<http://www.readingpa.gov/>

B. Description

Throughout this narrative we have emphasized that the NSP2 funding will expand the resources of an ongoing effort of the City of Reading and its consortium partners to stabilize neighborhoods. The City and its consortium partners have already expended considerable resources to combat the blighting influences of foreclosure, abandonment and vacant structures on neighborhood stability.

The injection of NSP 2 funds provides additional resources to the Consortium members in fulfilling these goals, as follows:

1. The Asset Control Area Plan entered into between the Department of Housing and Urban Development, the City of Reading and Our City Reading describe in great detail the actions to be taken in the acquisition, renovation and disposition of foreclosed homes for families of low and moderate income. It also describes the social outreach efforts of the participants to contribute to neighborhood stability, beyond renovation and housing counseling. Private funds, HOME Funds, CDBG Funds, Congressional EDI funds, State funds and Foundation funds have contributed to an effort that has been recognized by HUD as having an outstanding track record in this program in the nation. The addition of NSP2 funds will amplify the results of this effort.
2. The Consolidated Plan of the City of Reading supports the neighborhood stabilization efforts in the provision of CDBG and Home funds directly for renovation, economic development, acquisition and housing counseling through sub-recipients. The Plan recognizes that all these activities are interrelated, both through renovation, new

construction and economic development. For instance the Family Business Loan Program provides loans to neighborhood businesses by using funds of the Federal Home Loan Bank of Pittsburgh, Fulton Bank and CDBG funds. It recognizes that the strengthening of neighborhood businesses is as vital to neighborhood stability as is renovation and acquisition. NSP2 funds will provide additional funding for acquisition and renovation in most of the neighborhoods targeted by the Consolidated Plan as the Census Tracts overlap.

Certification of Consistency with the Established Plans

I certify that the proposed activities in the application are consistent with the jurisdiction's current, approved Master Plan, Consolidated Plan and ACA Plan.

Applicant Name: City of Reading

Project Name: NSP2 Application

Location of Project: Eligible NSP 2 Census Tracts within the City of Reading

Name of the Federal
Program to which the
applicant is applying: NSP2

Name of
Certifying Jurisdiction: City of Reading

Certifying Official
of the Jurisdiction
Name: Thomas McMahon

Title: Mayor

Signature: 

7/14/2009